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Japan Answers Telecommunications Calls

Responding to American concerns about the April 1 deregulation of Japan's domestic telecommunications market, Japanese negotiators have shown increased flexibility on regulations influencing market access for foreign firms. Tokyo signaled its willingness to alter the regulations at subcabinet-level talks attended by Commerce Under Secretary for International Trade Lionel Olmer and W. Allen Wallis, Under Secretary of State for Economic Affairs, in Tokyo March 14 and 15.

Not only are negotiators pressured by imminent deregulation but also by the rapidly ballooning bilateral trade imbalance in telecommunications equipment. According to the Communication Industries Association of Japan, exports of telecommunications equipment to the United States rose 73 percent in

What is interesting about this list is the extra protection given the American specialty steel industry. Domestic makers have complained loudly about the limited product coverage of the orderly marketing agreements negotiated in 1983 with Japan and other major suppliers of stainless and alloy steel. They have been equally vocal about the fact that flat-rolled products are subject to higher tariffs, not quotas (see JEI Report No. 26B, July 15, 1983, and No. 41B, October 28, 1983). By flagging a number of Japanese-made specialty steel products for monitoring, Washington obviously hoped to head off some criticism from the U.S. industry.

One of the few surprises about the steel-restraint pact is that Tokyo gave in to the Reagan administration's last-minute demand for a ceiling on exports of fabricated structural products. Under a five-year agreement separate from the main accord, Japanese steel mills will limit shipments of welded H beams and bridges, towers and similar structures to 100,000 short tons annually. This cap, U.S. producers hope, will prevent shifts in Japan's export mix toward higher value-added goods. Similarly, American manufacturers of semifinished steel products (ingots, blooms, billets, slabs and sheet bars) expect some import relief since Japanese shipments will be held to 100,000 short tons a year.

The Ministry of International Trade and Industry (MITI) now has the tough job of allocating the six category quotas and the seven subcategory quotas among Japanese steel makers, which are still upset about being included in the Reagan administration's steel-restraint program. Takashi Nonouchi, director general of MITI's Basic Industries Bureau, told a Tokyo press conference last week that this process could take up to two months. He also indicated that company-by-company shares will be based in part on average 1980-84 exports to the United States.

Susan MacKnight

Corrections

JEI Report No. 9A, March 8, 1985 incorrectly stated the inducement effects component of Japan's total new materials market (see Figure 2). The figure should be Y11.2 trillion, bringing the total to Y63 trillion as reported in the text.

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The views expressed in this report are those of the authors and do not necessarily represent those of the Japan Economic Institute.